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HOUSING AUTHORITY OF ELTON

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
(UNAUDITED)**

TWELVE MONTHS ENDED SEPTEMBER 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/27/05

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Board of Commissioners
Housing Authority of Elton
Elton, Louisiana

We have compiled the accompanying financial statements of the business-type activities, each major fund, for the year ended September 30, 2004, which collectively comprise the Housing Authority of Elton, Louisiana's basic financial statements as listed in the table of contents, and the accompanying supplementary information, which are presented for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplemental schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information, on pages two through eight, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We have also performed agreed-upon procedures to test representations included in the Louisiana Attestation Questionnaire for the year-ended September 30, 2004, all included therein.

Mike Estes, P.C.
Fort Worth, Texas
February 17, 2005

HOUSING AUTHORITY OF ELTON, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2004

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

The management of the Housing Authority of Elton, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's unaudited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$237,517 at the close of the fiscal year ended 2004.
 - ✓ Of this amount, \$8,926 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 10% of the total operating expenses for the fiscal year 2004, which means the Authority could operate about 1 month using the unrestricted assets alone.
 - ✓ The remainder of \$228,591 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
- The Housing Authority's total net assets decreased by \$18,348, a 7% change from the prior fiscal year 2003. This decrease is attributable to depreciation, the Authority's single largest non-cash expense, described in more detail below.
- The Authority spent \$1,934 on capital asset additions and \$7,499 on construction in progress.
- The Housing Authority continues to operate without the need for debt borrowing

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis* of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$237,517 as of September 30, 2004. Of this amount, \$228,591 was invested in capital assets, and the remaining \$8,926 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet
As of September 30, 2004

ASSETS

Current Assets	\$ 20,797
Capital Assets, Net of Depreciation	228,591
	<u>249,388</u>
Total Assets	<u>249,388</u>

LIABILITIES

Current Liabilities	<u>11,871</u>
---------------------	---------------

NET ASSETS

Invested in Capital Assets	228,591
Unrestricted	8,926
	<u>237,517</u>
Total Net Assets	<u>237,517</u>
Total Liabilities and Net Assets	<u>249,388</u>

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$18,348, or by 7%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2004**

OPERATING REVENUES

Rental Revenue	\$ 23,078
Other Tenant Revenue	1,312
Total Operating Revenues	<u>24,390</u>

OPERATING EXPENSES

Administration	31,403
Utilities	1,257
Ordinary maintenance and operations	16,153
General and Other	12,667
Depreciation	<u>25,796</u>
Total Operating Expenses	<u>87,276</u>

(Loss) from Operations	<u>(62,886)</u>
------------------------	-----------------

NON-OPERATING REVENUES

Federal Grants - Operating	35,094
Federal Grants - Capital	9,434
Interest Income and Other Revenue	<u>10</u>
Total Non-Operating Revenues	<u>44,538</u>

NET (DECREASE) IN NET ASSETS	(18,348)
NET ASSETS, Beginning of Year	<u>255,865</u>

NET ASSETS, End of Year	<u><u>237,517</u></u>
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The decrease in net assets of these funds was accompanied by a decrease in unrestricted cash by \$1,132 from fiscal year 2003, because the Authority had about that more cash payments for operating expenses than it received from tenants and HUD grants for operations, by about the same amount.

In future years, a comparative analysis of Authority-wide data with the prior year will be presented. (A comparative analysis for the current year is not required by accounting standards followed by the Authority.)

Compared with the prior fiscal year, total revenues decreased \$51,042, or by 43%. Reasons for this change are listed below in order of impact from greatest to least:

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

- There was a \$51,768 decrease in funding from HUD for capital projects, plus a decrease of \$5,402 in funding from HUD for operations, for an overall net decrease of 56% in funding from HUD from fiscal year 2003. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2002 and 2003, and submitted a new grant during fiscal year 2004.
- Even though occupancy decreased by 6%, rental revenues increased by \$5,477, or by 34%, due to much turnover in the tenant base. There were many more tenants added whose incomes were high enough that they received less HUD subsidies and paid more personal income for their rent.

Compared with the prior fiscal year, total expenses increased \$9,569, or by 12%. Again, reasons for this change are listed below in order of impact from greatest to least:

- Administrative expense increased by \$11,490, or by 58% from the prior year, due to a combination of factors. There was an increase of \$7,009, or by 56%, for administrative salaries and related benefits for raises granted to all the staff. Also, there was a \$4,480 increase in other administrative expenses, such as travel, staff training, auditing, accounting and legal fees.
- Depreciation Expense increased by \$3,010, or by 13% from the prior year, due to the addition during 2004 of \$1,934 in new capital assets and completion of \$35,475 in construction in progress.
- General Expense decreased by \$4,300, or by 25% from the prior year, due to a 41% decrease in general insurance resulting from a history of low claims.

These changes led to a decrease in total assets by \$19,093 and a decrease in liabilities by \$746, to the end that cash decreased by \$1,132. However, despite these changes, capital assets excluding depreciation actually increased by \$9,433, and there are still over \$2 of current assets covering each dollar of liability.

Housing Authority of Elton, Louisiana
Management's Discussion and Analysis (MD&A)
September 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2004, the Housing Authority had \$894,439 invested in a broad range of assets and construction in progress from projects funded in 2003, listed below. This amount, not including depreciation, represents increases of \$9,433 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation As of September 30, 2004	
Land	\$ 8,400
Buildings	191,784
Furniture and Equipment	4,345
Leasehold Improvements	18,777
Construction in Progress	<u>5,285</u>
Total	<u>228,591</u>

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$134,281 obtained during 2002 through 2003 fiscal years. A total remainder of \$78,235 will be received and spent for completing these projects during fiscal year 2005.

Additional major capital projects of \$27,156 were approved for the 2005 fiscal year from a HUD grant submitted during fiscal year 2004.

Debt

Long-term debt includes accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Sylvia Manuel, Executive Director, at the Housing Authority of Elton, Louisiana; P. O. Box 190 Elton, LA 70532-0190.

HOUSING AUTHORITY OF ELTON
ENTERPRISE FUNDS - BALANCE SHEET
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 15,376	\$ 0	\$ 15,376
Accounts receivable net	60	0	60
Interfund receivable	0	2,117	2,117
Prepaid items and other assets	4,162	0	4,162
Total Current Assets	19,598	2,117	21,715
Restricted Assets			
Cash	1,200	0	1,200
Capital Assets, net			
Land	8,400	0	8,400
Buildings, and equipment (net)	180,185	40,006	220,191
Total Capital Assets, net	188,585	40,006	228,591
Total Assets	\$ 209,383	\$ 42,123	\$ 251,506
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 553	\$ 2,117	\$ 2,670
Interfund payable	2,117	0	2,117
Accrued PILOT	8,001	0	8,001
Total Current Liabilities	10,671	2,117	12,788
Current Liabilities - payable from			
Current Restricted Assets -			
Deposits due others	1,200	0	1,200
Total Liabilities	11,871	2,117	13,988
<u>NET ASSETS</u>			
Invested in capital assets, net of			
related debt	188,585	40,006	228,591
Unrestricted	8,927	0	8,927
Net Assets	197,512	40,006	237,518
Total Liabilities and Net Assets	\$ 209,383	\$ 42,123	\$ 251,506

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ELTON
ENTERPRISE FUNDS - STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
OPERATING REVENUES			
Dwelling rental	\$ 23,078	\$ 0	\$ 23,078
Other	1,312	0	1,312
Total Operating Revenues	24,390	0	24,390
OPERATING EXPENSES			
Administration	31,402	0	31,402
Utilities	1,257	0	1,257
Ordinary maintenance & operations	16,152	0	16,152
General expenses	12,667	0	12,667
Depreciation	22,722	3,075	25,797
Total Operating Expenses	84,200	3,075	87,275
Income (loss) from Operations	(59,810)	(3,075)	(62,885)
Non Operating Revenues (Expenses)			
Interest earnings	10	0	10
Federal grants	35,094	9,434	44,528
Total Non-Operating Revenues (Expenses)	35,104	9,434	44,538
Income (loss) before contribution and transfer	(24,706)	6,359	(18,347)
Capital Contribution			
Transfers in	33,685	0	33,685
Transfers out	0	33,685	33,685
Change in net assets	8,979	(27,326)	(18,347)
Total net assets - beginning	188,533	67,332	255,865
Total net assets - ending	\$ 197,512	\$ 40,006	\$ 237,518

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ELTON
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

	General	Capital Fund Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 23,957	\$ 0	\$ 23,957
Other receipts	1,471	(159)	1,312
Payments to vendors	(31,389)	0	(31,389)
Payments to employees – net	(30,275)	0	(30,275)
Net cash provided (used) by operating activities	(36,236)	(159)	(36,395)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Federal grants	35,094	159	35,253
Net cash provided (used) by non- capital financing activities	35,094	159	35,253
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	0	(9,434)	(9,434)
Federal Capital Grants	0	9,434	9,434
Net cash provided (used) by capital and related financing activities	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	10	0	10
Net cash provided (used) by interest income net of purchases of investment	10	0	10
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,132)	0	(1,132)
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	17,708	0	17,708
CASH AND CASH EQUIVALENTS End of Fiscal Year	\$ 16,576	\$ 0	\$ 16,576

Continued

HOUSING AUTHORITY OF ELTON
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>Capital Fund Program</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (59,810)	\$ (3,075)	\$ (62,885)
Adjustment to reconcile operating income to net cash provided by operating activities:			
<i>Depreciation Expense</i>	22,722	3,075	25,797
Change in assets and liabilities:			
Receivables	879	0	879
<i>Due from other funds</i>	0	(159)	(159)
Prepaid items	719	0	719
Account payables	(1,064)	0	(1,064)
Accrued expenses	159	0	159
Due to other funds	159	0	159
Net cash provided by operations	\$ <u>(36,236)</u>	\$ <u>(159)</u>	\$ <u>(36,395)</u>

Concluded

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

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HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Elton, serve staggered multi-year terms.

The Housing Authority has the following units:

Program	Contract Number	Number Of Units
PHA owned housing	FW – 648	18

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the Town of Elton since the Town of Elton appoints a voting majority of the Housing Authority's governing board. The Town of Elton is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the Town of Elton. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Elton.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2004

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The Capital Funding program accounts for Capital Funding grants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

New Accounting Standards Adopted During the year ended September 30, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No.21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of Elton. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD & A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

PROPRIETARY FUNDS Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 13, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. INVENTORY All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

H. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demand. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

J. DEFERRED REVENUES The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

K. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

L. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. INTERFUND ACTIVITY Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

All other interfund transfers are reported as operating transfers. Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

N. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name

Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2004

At September 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$16,576 as follows:

Cash on hand	\$	10
Interest-bearing demand deposits		16,566
Total	\$	<u>16576</u>
Cash and cash equivalents	\$	15,376
Cash and cash equivalents – restricted		1,200
Total	\$	<u>16,576</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2004, the Housing Authority's carrying amount of deposits was \$16,576 and the bank balance was \$18,742. Of the bank balance, \$18,742 was covered by federal depository insurance (GASB Category 1).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement #3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

Investments during the year were solely in time deposits at banks.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at September 30, 2004, are as follows:

<u>Class of Receivables</u>	<u>General</u>	<u>Total</u>
Local sources:		
Tenants	\$ <u>60</u>	\$ <u>60</u>
Total	\$ <u>60</u>	\$ <u>60</u>

The tenants account receivable is net of an allowance for doubtful accounts of zero.

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	Balance 09/30/03	Additions	Deletions	Balance 09/30/04
Land	\$ 837,587	\$ 35,475	\$ 0	\$ 873,062
Buildings	14,157	1,935	0	16,092
Furniture and equipment	0	0	0	0
Construction in progress	33,261	0	27,976	5,285
Total	885,005	37,410	27,976	894,439
Less: accumulated depreciation				
Buildings	627,170	23,906	0	651,076
Furniture and equipment	12,881	1,891	0	14,772
Total	640,051	25,797	0	665,848
Fixed assets, net	\$ 244,954	\$ 11,613	\$ 27,976	\$ 228,591

NOTE 5 – RETIREMENT SYSTEM The Housing Authority does not have a retirement plan.

NOTE 6 – ACCOUNTS PAYABLE The payables at September 30, 2004 are as follows:

	General	Housing Choice Voucher Fund	Total
Vendors	\$ 394	0	\$ 394
Payroll taxes & Retirement withheld	159	0	159
Federal sources: Grants	0	2,117	2,117
Total	\$ 553	2,117	\$ 2,670

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of state and federally assisted grant programs. The programs are periodically subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF ELTON
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

Construction Projects There are certain renovation or construction projects in progress at September 30, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

NOTE 8 – INTERFUND RECEIVABLES / PAYABLES Interfund receivables / payables at September 30, 2004 are as follows:

The Low Rent program owes \$2,117 to the Capital Fund program.

NOTE 9 – COMPENSATED ABSENCES At September 30, 2004, employees of the Housing Authority have accumulated no employee leave time.

NOTE 10 – INTERFUND TRANSFERS Interfund transfers for the year September 30, 2004 consists of the following:

Transfer To

Transfer From

Low Rent

Capital Fund

The Capital Fund program transferred \$33,685 to the Low Rent program for hard costs on the completed 2000 Capital Fund Grant program.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF ELTON
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2004

CASH BASIS

1. The Actual Modernization Costs are as follows:

		2001 Capital Fund
Funds approved	\$	36,091
Funds expended		36,091
Excess of funds approved	\$	<u>0</u>
 Funds advanced	 \$	 36,091
Funds expended		36,091
Excess of funds advanced	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated July 18, 2003 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF ELTON
STATEMENT OF MODERNIZATION COSTS – UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2004

CASH BASIS

		2001 Capital Fund		2002 Capital Fund		2003 Capital Fund
Funds approved	\$	36,820	\$	34,214	\$	27,156
Funds expended		<u>36,117</u>		<u>13,670</u>		<u>6,259</u>
Excess of funds approved	\$	<u>703</u>	\$	<u>20,544</u>	\$	<u>20,897</u>
Funds advanced	\$	36,820	\$	15,084	\$	6,259
Funds expended		<u>36,117</u>		<u>13,670</u>		<u>6,259</u>
Excess of funds advanced	\$	<u>703</u>	\$	<u>1,414</u>	\$	<u>0</u>

HOUSING AUTHORITY OF ELTON
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>35,094</u>
Public Housing Capital Fund	14.872	<u>9,434</u>
Total United States Department of Housing and Urban Development	\$	<u>44,528</u>
Total Expenditures of Federal Awards	\$	<u>44,528</u>

See accountants' report

HOUSING AUTHORITY OF ELTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Elton, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 35,094
Capital Fund	9,434
Total	<u>\$ 44,528</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – FEDERAL AWARDS PROGRAMS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

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MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Housing Authority of Elton
Elton, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Housing Authority of Elton, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about compliance with certain laws and regulations during the year ended September 30, 2004 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

The only disbursements in the fiscal year that required bids was a final payment to a contractor for \$6,259. Bids were properly advertised and secured in the prior fiscal year.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on April 29, 2003 which indicated that the budget had been adopted by the commissioners by unanimous consensus. A budget revision was adopted at a September 28, 2004 meeting.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select a minimum of 6 disbursements made during the period under examination and:

- a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the twenty – eight selected disbursements (excluding payroll that was also reviewed) and found that payment was for the proper amount and made to the correct payee.

- b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

Inspection documentation supporting each of the twenty – eight selected disbursements indicated approvals from the Executive Director and the chairman of the Board of Commissioners.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law). The PHA is publishing the proceedings of its meetings in a local newspaper.

The Housing Authority of Elton is only required to post a notice of each meeting and the accompanying agenda on the door of the PHA's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than an unmarked copy of the notices and agendas.

Debt

10. Examine bank deposits for the period under examination to determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances or gifts.

A reading of the minutes of the Authority for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances or gifts.

Our prior year report, dated March 20, 2004, did not include any comments or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for use of management of the Housing Authority and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.
Fort Worth, Texas
February 17, 2005

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

February 17, 2005 (Date Transmitted)

Mike Estes, P.C.

4200 Airport Freeway #100

Fort Worth, Texas 76117

(Auditors)

In connection with your compilation of our financial statements as of September 30, 2004 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of February 17, 2005.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [X] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LAS-RS 42:1101-1124.

Yes [X] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes [X] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [X] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31 and 44:36.

Yes [X] No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [X] No []

We have had our financial statements audited or compiled in accordance with LAS-RS 24:513.

Yes [X] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [X] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [X] No []

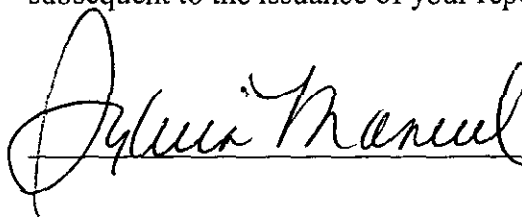
Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [X] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

 Executive Director 2/17/05 Date

HOUSING AUTHORITY OF ELTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

Prior Audit Findings

None

Current Findings

None

General Comments

The PHA is attempting to obtain waivers on PILOT, Payments In Lieu Of Taxes, accrued through September 30, 2003. The decision to waive PILOT will probably be decided by the Elton City Council at a meeting on March 14, 2005.

The PHA will pay the PILOT for the period 10/01/03 thru 9/30/04 within the next thirty days.